

Message Text

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17

ACTION NEA-10

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AMEMBASSY TEHRAN

LIMITED OFFICIAL USE KUWAIT 4558

E.O. 11652: N/A

TAGS: EIND, ENRG KU

SUBJECT: NEW INDUSTRIAL PROJECT IN KUWAIT: HYDRAZINE

1. IN CONVERSATIONS WITH US BUSINESSMEN INVOLVED AND WITH SENIOR OFFICIAL IN THE INDUSTRIAL BANK OF KUWAIT (IBK), EMBASSY HAS LEARNED THAT GOK IS ACTIVELY CONSIDERING ESTABLISHMENT OF A PLANT FOR THE MANUFACTURE OF HYDRAZINE. IBK CURRENTLY EXAMINING PROPOSAL PUT FORWARD BY REPRESENTATIVES OF INTERNATIONAL HUSKY (A CONSULTING FIRM) AND ROCKET RESEARCH CO. FOR CONSTRUCTION OF 10,000 TON-PER-YEAR CAPACITY, \$40 MILLION FACILITY FOR THE PRODUCTION OF HYDRAZINE OUT OF AMMONIA FEEDSTOCK. PRODUCT WOULD HAVE SEVERAL APPLICATIONS, CHIEF AMONG THEM IN SECONDARY OIL RECOVERY TECHNIQUES AND AS A ROCKET PROPELLANT.

2. IBK OFFICIAL AND US BUSINESSMEN GENERALLY OPTIMISTIC ABOUT PROSPECTS FOR SUCH A PROJECT HERE. OFFICIAL EXPLAINED THAT THE IBK WAS INTERESTED IN THE PROPOSAL FOR TWO REASONS:

1) THE END-USE FOR THE PRODUCT, AS AN EXPLOSIVE IN CRACKING OPEN OIL DEPOSITS, HAS PARTICULAR APPLICATIONS IN KUWAIT AND

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THE MIDDLE EAST, AND 2) THE NECESSARY RAW MATERIAL IS

AVAILABLE IN KUWAIT VERY CHEAPLY: AMMONIA IN THE COUNTRY IS CURRENTLY 5 CENTS PER MILLION BTU, AS OPPOSED TO \$2 1/2 PER MILLION BTU IN THE UNITED STATES. EMBOFF NOTED THAT AMMONIA PRICES HAVE FLUCTUATED IN THE PAST, AND POSSIBLE SHORTAGES IN NATURAL GAS MAY DRIVE THE PRICE UP, BUT OFFICIAL OBSERVED THAT, EVEN AT 20 CENTS PER MILLION BTU FOR AMMONIA, THE PROJECT WOULD REMAIN ECONOMICAL.

3. OFFICIAL PREDICTED THAT PROJECT MIGHT BE "GO" IN DECEMBER, AFTER MORE EXTENSIVE TALKS WITH U.S. COMPANY REPRESENTATIVES ARE HELD IN THE U.S. LATER THIS MONTH. NOVEMBER TALKS, ACCORDING TO OFFICIAL, ARE DESIGNED PARTLY TO CLEAR UP IBK DOUBTS AS TO THE ABILITY OF THE FIRMS IN THE MANUFACTURING AND MARKETING FIELDS. KEY COULD BE WHETHER UNIROYAL WILL AGREE TO BECOME PRIMARY CONSUMER OF KUWAIT-PRODUCED HYDRAZINE. EMBOFF ASKED WHETHER THERE WERE ANY OTHER FIRMS IN THE HYDRAZINE FIELD WITH WHICH THE IBK COULD WORK, AND OFFICIAL REPLIED THAT BAYER OF WEST GERMANY WAS ONE. OFFICIAL SAID THAT IBK WOULD NOT BE GOING TO BAYER WITH A HYDRAZINE PROPOSAL, BUT, ON THE OTHER HAND, WOULD NOT TURN BAYER AWAY IF IT PRESENTED A PROPOSAL OF ITS OWN.

COMMENT: BOTH US BUSINESSMEN INVOLVED AND IBK OFFICIALS HAD SOME INITIAL PROBLEMS WITH EACH OTHER. FOR EXAMPLE, IBK SPOTTED SOME OBVIOUS EXAGGERATIONS IN PROMOTIONAL INFO ABOUT INTERNATIONAL HUSKY. HOWEVER, AT END OF INITIAL MEETINGS HERE BOTH SIDES SEEM RATHER OPTIMISTIC OVER PROSPECTS AND WILLING WORK WITH EACH OTHER. US INDIVIDUALS INVOLVED ARE SEASONED BUSINESSMEN WHO MADE (COMMON) MISTAKE OF UNDERESTIMATING INTELLIGENCE AND EXPERIENCE OF LOCAL OFFICIALS. NOVEMBER MEETINGS IN US LIKELY TO BE IMPORTANT SINCE, IN EFFECT KUWAITIS WILL DECIDE HOW SERIOUS US GROUP IS AND WHETHER IT, IN FACT, LIKELY TO BE ABLE TO PERFORM AS PROMISED. AS OF NOW, HOWEVER, APPEARS THAT GOOD CHANCE EXISTS THAT NEW US-KUWAITI JOINT INDUSTRIAL VENTURE WILL BEGIN SOON WITH SIZABLE PORTION OF PRODUCT EARMARKED FOR US MARKET. STOLTZFUS

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